

From: Jennie L. Loncon
Sent: Thursday, November 19, 2015 1:53 PM
To: Payne, Wendolyn M; FASAB
Cc: DNI-CFO-FrontOffice-ExecSec; Wu, Grace Q; Katherine Reed; Barbara B Jones
Subject: REVISED Documents: IC Comments on FASAB Implementation Guidance for Internal Use Software

Good Afternoon,

Apologies for the delay. Please find attached the updated comments matrix and response to questions. Please only use the response to questions for public release.

Thank you,

Jenn

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DRAFT FASAB Implementation Guidance
Internal Use Software
Response to Questions

Question No.	Respondent	Question Posed to Respondent	Response from Respondent
Q1.	ADNI/CFO	In the Clarification of Existing Standards section (paragraphs 10-24), this Technical Release (TR) considers the software development terms and practices that reporting entities utilize currently and helps clarify the standards in light of those terms and practices. Do you agree with the clarification and the new concepts, such as Component Based IUS Asset, presented? If not, please explain your reason.	<p>Para. 16 and para. 21 are not clear. When should an entity be treating a component/enhancement/module (distinction between the three terms is unclear) as an addition to the existing asset versus as a new, separate asset. Currently reads as if the distinction is between components and enhancement; however the terms, along with module, sometimes seem to be used interchangeably. We believe the distinction should be as follows:</p> <ol style="list-style-type: none"> 1. Does the competent / enhancement provide economic benefit through distinct, substantive functionality? Yes - may be treated as new asset separate and independent from the original asset, as stated in par. 16. No - adjust the cost and useful life (if appropriate) of the original asset, as stated in par. 21. 2. In either of the above cases, if multiple components / enhancements are delivered together and are dependent upon each other to function, then those modules / enhancements should be evaluated as one asset (in the case of #1), or as one adjustment to an existing asset (in the case of #2). 3. Additionally, suggest covering material in paras. 16-21 in the following order: Component Based IUS Asset, Enhancements, Capitalization Threshold. 4. Furthermore, the example used in par. 16 does not apply to the guidance given in this paragraph because a general ledger and sub-ledgers are dependent upon each other, and therefore the example actually would follow the guidance stated in par. 21 (i.e; they would be grouped together).
Q2.	ADNI/CFO	In the Guidance on Applying SFFAS 10 to Certain New IUS Developments section (paragraphs 25-33), this TR introduces new terms and defines them in light of the application of this guidance. Do you agree that the definitions reflect typical current new software development items and the associated guidance is reasonable? If not, please explain your reason.	<p>Agree with paras. 31-34. Believe that the guidance on Cloud Computing and Shared Services implements new reporting requirements and is not implementation guidance to the existing requirements within SSFAS 10. Additionally, the new requirements set forth for Cloud Computing and Shared Services are too narrow and do not consider all of the components of these types of software and the accounting treatment implications. We suggest removing this guidance for the TR and performing additional research over the construct of clouds so that the guidance given is all encompassing. Specific comments include, but are not limited to: Par 27 "If cloud computing arrangement includes a software license..." - is this referring to an agency purchasing licenses to use a commercially available cloud (i.e. oracle cloud) vice developing an internal cloud -OR- is this referring to licensing use of a developed cloud (i.e. one agency develops a cloud and then licenses the use of that cloud to other agencies)?</p> <p>Par 27: "If the funding to develop cloud computing is shared among entities without clear ownership, the service provided that [1.] receives [the] funding [for] and [2.] is responsible for maintaining..." - are these always the same entity? What if multiple entities receive funding to maintain different components of the cloud? What guidance should be followed if an Agency is developing Cloud Computing software but will not</p>

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Q3.	ADNI/CFO	In Appendix B starting on page 16, this TR provides two tables illustrating business events and deliverables which agencies may see within a software development life-cycle and some common agency practice examples to assist entity management in applying the principles described throughout the TR. Do you think that both illustration tables will help agencies? If not, please explain your reason.	No comments.
Q4.	ADNI/CFO	Are there additional common issues or illustrations across agencies that should be considered? If so, what are they, and how would you describe them?	Par. 19, last two sentences seem to be contradictory and additional clarification is needed. The first says that more than one capitalization threshold could be established for different components of an agency, but then the next sentence states that the thresholds should be implemented across the agency.
Q1.	ADNI/CFO	In the Clarification of Existing Standards section (paragraphs 10-24), this Technical Release (TR) considers the software development terms and practices that reporting entities utilize currently and helps clarify the standards in light of those terms and practices. Do you agree with the clarification and the new concepts, such as Component Based IUS Asset, presented? If not, please explain your reason.	<p>Additional clarification provided by the Federal Financial Accounting Technical Release, Implementation Guidance for Internal Use Software will assist Federal Agencies in accounting for challenging software development practices. We would recommend the addition of practical examples to include:</p> <ul style="list-style-type: none"> • Provide guidance that supports management flexibility and decision criteria/considerations to determine whether assets should be accounted for individually or as an integrated asset; • Enhance the explanation of cost assignment and allocations to drive valuation for bulk software purchases, component based assets, or a single asset deployed at multiple sites; and • Clarify nuances of software modification for significant additional capabilities; current examples focus on functions, features and capability; however, clarification could be expanded to distinguish enhancements within the same function, feature or capability from operations and maintenance upgrades.
Q2.	ADNI/CFO	In the Guidance on Applying SFFAS 10 to Certain New IUS Developments section (paragraphs 25-33), this TR introduces new terms and defines them in light of the application of this guidance. Do you agree that the definitions reflect typical current new software development items and the associated guidance is reasonable? If not, please explain your reason.	The definitions included in this section reflect new software development methods and sources; however, we believe that there may be a potential consistency issue with respect to the accounting related to shared services as compared to other procurement methods for software with a similar organizational benefit, useful life and cost. We further recommend inclusion of requirements to document who is responsible for accounting for software in Interagency shared service arrangements to reduce risk associated with duplicative capitalization or lack of capitalization.
Q3.	ADNI/CFO	In Appendix B starting on page 16, this TR provides two tables illustrating business events and deliverables which agencies may see within a software development life-cycle and some common agency practice examples to assist entity management in applying the principles described throughout the TR. Do you think that both illustration tables will help agencies? If not, please explain your reason.	The illustrative tables in Appendix B will assist Agencies in improving accounting consistency for the business events and deliverables; however, we recommend emphasizing the importance of the illustrative nature of business events and deliverables that may or may not be employed by Agency processes during the software lifecycle. Additionally, we recommend enhancing the linkage of the "Rapid Development and Risk Evaluation activities" to include a description of how these activities contribute to the form and location suitable for use.

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